

DEPARTMENT OF PUBLIC SERVICE REGULATION  
BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MONTANA

IN THE MATTER OF APPLICATION by     )     UTILITY DIVISION  
THE MONTANA POWER COMPANY for     )  
authority to increase rates for     )     DOCKET NO. 6454  
electric and natural gas service    )     ORDER NO. 4350C  
and requesting approval of         )  
certain changes in the             )  
regulations covering such         )  
service.                             )

FINDINGS OF FACT

1. On June 9, 1977, the Commission issued its Order 4350. That Order approved temporary rate increases for the Applicant in this docket of \$13,090,000 for Applicant's electric utility, and \$11,862,000 for Applicant's natural gas utility. The revenue increases granted therein were allocated to the Applicant's customers on a volumetric, or uniform cents per kwh and Mcf basis. Order 4350 noted specifically in Finding of Fact No. 17 that. "because a temporary rate increase is intended to keep a utility whole pending disposition of general rate increase proceedings, the emphasis in this Order must be on rate levels and past practice as to rate structure should be applied until the Commission has had an opportunity to fully evaluate the evidence after a full hearing." The past practice as to rate structure the Commission there found to be applicable was the rate structure established by the Commission in its Order No. 4220C, which utilized a volumetric method of revenue allocation.

2. On October 31, 1977, this Commission issued its Order No. 4350b which granted a further temporary rate increase for

Applicant's natural gas utility of \$6,340,000, less \$2,063,000 to be recovered under the purchased gas and royalty adjustment clauses of Applicant's industrial gas contracts. This temporary rate increase was likewise allocated on a volumetric basis, as the increased revenues allowed were found necessary to offset purchased gas and royalty cost increases.

3. On November 4, 1977, the District Court for the First Judicial District of the State of Montana issued an Order in the appeal by the Anaconda Company and Ideal Cement Company Or this Commission's Order 4220C in Docket 6348. Judge Meloy's Order found that the Commission had before it no evidence of record upon which to base the volumetric revenue allocation directed by Order 4220C. The Court held that "because the record is devoid of evidence sufficient to support the allocation imposed by the Commission order, the Commission is directed to allocate on the basis of the status quo prior to the entry of Order 4220C, and such allocations shall apply until the Commission, if it so decides, shall re-open the proceedings and receive evidence sufficient to support a different allocation method if such evidence is available."

4. At the public hearing in this Docket, Consumer Counsel witness George Hess recognized an error he had committed in preparing his revenue recommendation. Correction of this error results in a conceded electric utility revenue requirement which is \$210,000 higher than the electric increase granted in Order No.4350b (Tr. 285)

#### CONCLUSIONS OF LAW

1. Applicant is a public utility furnishing electric and

natural gas service to consumers in this state. Applicant's service and rates are subject to the regulatory jurisdiction of this Commission.

2. Revised Codes of Montana 1947, Section 70-113, as amended, provides in part "The Commission may, in its discretion, temporarily approve increases pending a hearing or final decision."

3. The Commission has provided full and adequate public notice of all proceedings in this Docket.

4. Pending the complete evaluation of evidence in this Docket and the issuance of the final Order, the Commission is constrained by the Court's holding invalid of the revenue allocations used in Order No. 4220C to allocate the revenue increases granted in that and subsequent orders on a uniform percentage basis, as proposed by Applicant, with the exception of revenue increases granted for the purposes of offsetting increased gas supply costs which shall continue to be allocated on a volumetric basis as they were prior to Order 4220C.

5. Until such time as the Commission has had an opportunity to study the various rate forms and Applicant's proposed revenue allocations, as presented in this Docket, and the testimony and exhibits supporting such forms and allocations, the method of revenue allocation herein prescribed is consistent with the Order of the Court.

#### ORDER

THE MONTANA PUBLIC SERVICE COMMISSION ORDERS THAT:

1. Applicant is ordered to submit to the Commission for approval rate schedules effective with meter readings on and after December 1 1977, which will generate the same revenues previously granted in Commission Orders 4220C, 4350 and 4350b, as increased for the electric utility by the \$210,000 discussed in Finding No. 4. The rate schedules shall allocate the revenue increase on a uniform percentage basis with the exception of revenues required to offset increased purchase gas costs as set forth in the previous Orders of the Commission. The tariffs submitted hereunder shall include and supersede the tariffs authorized in Order No. 4220D.

2. The increased revenues referred to herein shall be subject to rebate, with the exception of the revenues approved under Order No. 4220C and reallocated herein, should the final Order in this Docket determine that a lesser increase than that authorized by the temporary orders in this Docket is required.

3. In the event a rebate is directed by the final Order in this Docket, provision shall be made in that Order to cause all uncollected rebates to escheat to the State of Montana in the manner provided by law. Any rebate ordered shall bear an interest rate of 10% on an annual basis from the time collected by the Applicant.

4. The parties to this proceeding are advised that the Commission may order that this Docket be re-opened for further hearings for the purpose of receiving testimony and exhibits on the question of appropriate rate forms and revenue allocations should the Commission find the evidence in this proceeding inadequate on those issues, or, in the alternative, the Commission may inquire into the questions of rate forms and revenue allocations in a subsequent

proceeding.

DONE IN OPEN SESSION this 1st day of December, 1977, by a  
vote of 4-0.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION:

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GORDON E. BOLLINGER, Chairman

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P. J. GILFEATHER, Commissioner

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THOMAS J. SCHNEIDER, Commissioner

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JAMES R. SHEA, Commissioner

ATTEST:

Gail E. Behan  
Secretary

(SEAL)

NOTICE: You are entitled to judicial review of this Order.  
Judicial review may be obtained by filing within  
thirty (30) days from the service of this Order a  
petition for review, pursuant to Section 82-4216,  
R.C.M. 1947.